

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA)	
GAS AND ELECTRIC COMPANY d/b/a VECTREN)	
ENERGY DELIVERY OF INDIANA, INC., FOR: (1))	
AUTHORITY TO CONSTRUCT, OWN AND)	
OPERATE A SOLAR ENERGY PROJECT AND A)	
FINDING THAT SUCH PROJECT CONSTITUTES)	
A CLEAN ENERGY PROJECT PURSUANT TO)	
IND. CODE CH. 8-1-8.8; (2) ISSUANCE OF A)	CAUSE NO. 45086
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY FOR THE CONSTRUCTION OF THE)	
SOLAR ENERGY PROJECT PURSUANT TO IND.)	
CODE CH. 8-1-8.5; AND (3) AUTHORITY TO)	
TIMELY RECOVER COSTS INCURRED DURING)	
CONSTRUCTION AND OPERATION OF THE)	
PROJECT IN ACCORDANCE WITH IND. CODE §)	
8-1-8.5-6.5 AND IND. CODE § 8-1-8.8-11.)	

**STIPULATION AND SETTLEMENT AGREEMENT AMONG VECTREN SOUTH, THE
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR AND
CITIZENS ACTION COALITION OF INDIANA, INC.**

This Stipulation and Settlement Agreement (the "Settlement Agreement") is entered into by and among Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or the "Company"), the Indiana Office of Utility Consumer Counselor ("OUCC") and Intervenor Citizens Action Coalition of Indiana, Inc. ("CAC"). Vectren South, the OUCC and CAC are collectively referred to herein as the "Settling Parties." The Settling Parties, solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth in this Settlement Agreement represent a fair, just and reasonable resolution of all matters raised in this proceeding, subject to their incorporation by the Indiana Utility Regulatory Commission ("Commission") into a final, non-appealable order without modification or further condition that is unacceptable to any Settling Party ("Final Order"). The Settling Parties agree that this Settlement Agreement

resolves all disputes, claims and issues arising from the Commission proceeding currently pending in Cause No. 45086 as between the Settling Parties.

**I. CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
AND RELATED REQUESTS FOR RELIEF**

1. **Certificate of Public Convenience and Necessity.** The Settling Parties agree the Commission should grant Vectren South a certificate of public convenience and necessity (“CPCN”) pursuant to Ind. Code § 8-1-8.5-1 *et seq.*, to construct a solar energy project totaling approximately 50 megawatts of alternating current (“MWac”) and approximately 64 megawatts of direct current (“MWdc”) located in Spencer County, Indiana and as described with specificity in Vectren South’s case-in-chief (referred to herein as the “Solar Project”). Electricity collected at the substation on the Solar Project’s site will be delivered to the adjacent Hoosier Energy Rural Electric Cooperative substation which is connected to the Vectren South system. The Solar Project is in the Midcontinent Independent System Operator (“MISO”) Generator Interconnection queue.

2. **Cost Estimate.** The Settling Parties agree Vectren South’s construction cost estimate for the Solar Project of \$76.174 million, including a contingency, exclusive of AFUDC and post-in-service carrying costs, constitutes a reasonable estimate of the construction costs for the Solar Project and should be approved by the Commission in accordance with Ind. Code § 8-1-8.5-5. This estimate will be used in determining the revenue requirement and rate per unit of production for the Solar Project, and actual costs to construct the Solar Project that exceed or fall below the estimate will not change the agreed upon revenue requirement or rate.

3. **Clean Energy Project.** The Settling Parties agree the Solar Project is a “clean energy project” as defined in Indiana Code § 8-1-8.8-3.

4. **Commencement of Construction.** The Settling Parties acknowledge time is of the essence and will use their best efforts to obtain an Order in this proceeding on or

before February 28, 2019 so construction can commence on or before April 1, 2019 to ensure the Solar Project is eligible for the full 30% Investment Tax Credit ("ITC"). As further described below, the Settling Parties have agreed upon a non-traditional ratemaking approach designed, in part, to accelerate the flow of the benefit from the ITC to customers.

II. USE OF LEVELIZED RATE

5. **Unique Nature of Ratemaking Approach.** The Settling Parties acknowledge that due to the special nature of the Solar Project, including the availability of the ITC to offset project costs, the Solar Project represents a unique opportunity to evaluate alternative approaches to traditional ratemaking not applicable to other CPCN projects. Based on that understanding, the Settling Parties have structured the ratemaking terms set forth in this Settlement Agreement to use a fixed levelized rate per kilowatt hour ("kWh") of produced energy for the life of the investment in the Solar Project. The approach is further designed to allow customers to realize the impact of the ITC more quickly than otherwise could be accomplished through traditional ratemaking.

6. **Initial Levelized Rate.** The Settling Parties agree a levelized rate of \$0.05452 per kWh will initially be used to determine the amount recovered annually with respect to Vectren South's investment in the Solar Project (the "Levelized Rate"), subject to adjustment only as set forth in Paragraph 7 of this Settlement Agreement. The Levelized Rate will be incorporated in the Clean Energy Cost Adjustment ("CECA") mechanism, which the Commission approved on August 16, 2017 in Cause No. 44909 for renewable energy projects, in the manner described in Section III of this Settlement Agreement.

7. **Adjustments to Levelized Rate.** The Levelized Rate is subject to adjustment only as set forth below:

- a. The Levelized Rate will be adjusted upon issuance of any final order in a future base rate proceeding to capture the impact of changes to the Company's

approved return on equity (“ROE”). The Company will make an adjustment to the Levelized Rate in the first CECA proceeding filed after the issuance of the final base rate case order. In establishing the Levelized Rate, the Settling Parties agreed to an annual baseline production level described below as well as other adjustments to the cost recovery approach, reflected in workpapers that will be made available to the OUCC to review in each CECA proceeding.

b. The Levelized Rate will be adjusted if any adjustments are made to the law governing Indiana State and/or Federal Income Tax Rates that result in a change to other approved tariff rates. The Company will make a thirty (30) day filing seeking an adjustment to the Levelized Rate within sixty (60) days of the effective date of any such adjustments to the Indiana State and/or Federal Income Tax Rates. The Company will provide support for the adjustment to the Levelized Rate to the OUCC upon request, including the workpapers described above.

c. The Levelized Rate will be adjusted if any Liquidated Damages are received in accordance with the provisions of Paragraph 15.

8. **Adjustments to the CECA Recoverable Costs.** The Levelized Rate is based upon an assumed level of production (kWh) from the Solar Project on an annual basis (“Production Baseline”). The Production Baseline, set forth in the table below, shall not change over the life of the Solar Project but for conditions noted in Paragraph 15.

Year	Annual Baseline Production (kWh)
1	109,193,400
2	108,647,433
3	108,104,196
4	107,563,675
5	107,025,856
6	106,490,727
7	105,958,274
8	105,428,482
9	104,901,340
10	104,376,833

11	103,854,949
12	103,335,674
13	102,818,996
14	102,304,901
15	101,793,376
16	101,284,409
17	100,777,987
18	100,274,097
19	99,772,727
20	99,273,863
21	98,777,494
22	98,283,607
23	97,792,189
24	97,303,228
25	96,816,711
26	96,332,628
27	95,850,965
28	95,371,710
29	94,894,851
30	94,420,377
31	93,948,275
32	93,478,534
33	93,011,141
34	92,546,085
35	92,083,355

a. In the event that actual annual production from the Solar Project for a rolling three-year period is less than 90% of the Production Baseline set forth in the table above for the same rolling three-year period and such deviation is not the result of a force majeure event (e.g. and without limitation, tornado, lightning damage, fire, earth quake, acts of state or governmental action impeding performance), Vectren South shall credit the CECA in the next annual filing in the amount of the Levelized Rate multiplied by the difference between the rolling three-year period actual annual production and Production Baseline, demonstrated in the following calculation:

	Actual Production	Baseline Production
2021	100,000,000	109,193,400
2022	97,000,000	108,647,433
2023	95,000,000	108,104,196
Rolling 3-Year Average Baseline Production	97,333,333	108,648,343
Threshold (90%)		97,783,509
Actual Production Below Baseline Threshold	450,175	
Levelized Rate per kWh	\$ 0.05452	
CECA Production Credit	\$ 24,544	

b. In the event that actual annual production from the Solar Project for a rolling three-year period is greater than 110% of the Production Baseline set forth in the table above for the same rolling three-year period, Vectren South shall include as a recoverable cost in the CECA in the next annual filing the amount of the Levelized Rate multiplied by the difference between the rolling three-year period actual annual production and Production Baseline, demonstrated in the following calculation:

	Actual Production	Baseline Production
2021	121,000,000	109,193,400
2022	120,000,000	108,647,433
2023	119,000,000	108,104,196
Rolling 3-Year Average Baseline Production	120,000,000	108,648,343
Threshold (110%)		119,513,177
Actual Production Above Baseline Threshold		486,823
Levelized Rate per kWh		\$ 0.05452
CECA Production Charge		\$ 26,542

III. LEVELIZED RATE RECOVERED THROUGH CECA

9. **CECA Components**. The CECA will recover: (a) the revenue requirement associated with the three solar energy projects totaling approximately 4.3 megawatts of alternating current ("MWac") and two energy storage systems approved in Cause No. 44909 (the "Cause No. 44909 Projects"); and (b) the approved revenue requirement for the Solar

Project.

10. **Derivation of Solar Project Component of CECA.** The Solar Project component of the CECA will be derived by multiplying the then effective Levelized Rate per kWh, as determined in the manner set forth in Paragraphs 6 and 7, by the projected kWh produced by the Solar Project during the upcoming twelve (12) month period, grossed up for Indiana Utility Receipts Tax ("IURT") prior to allocation to the customer classes in the manner set forth in Paragraph 12. Any Production Credit or Charge as defined in Paragraph 8 will be added to this amount to determine the total CECA recoverable costs.

11. **Filing of CECA and Ratemaking Treatment.** The CECA will be filed annually as a subdocket in Cause No. 44909, as follows:

a. In anticipation of completion of two of the Cause No. 44909 Projects by late-2018, the initial filing of the CECA will occur on February 1, 2019 for investments made and completed through December 31, 2018, with initial CECA rates to be effective June 1, 2019;

b. On February 1, 2020, Vectren South will make the second CECA filing and propose two sets of rates for approval:

i. The first set of rates, effective June 1, 2020, will recover the revenue requirement associated with the Cause No. 44909 Projects only.

ii. The second set of rates, effective on the date of in-service of the Solar Project, will recover the revenue requirement associated with both the Cause No. 44909 Projects as well as the Solar Project.

c. Thereafter, CECA filings will occur annually on February 1st of each subsequent year.

d. All costs and recoveries associated with the Solar Project will be excluded from the actual Net Operating Income utilized for the quarterly Fuel

Adjustment Clause statutory earnings test. All costs and recoveries associated with the Solar Project will be excluded from the calculation of Vectren South's electric revenue requirement in each rate case over the life of the Solar Project. The Solar Project will be excluded from Rate Base in such future base rate cases. In addition, the Solar Project CECA revenue and expenses will be excluded from the calculation of the Revenue Requirement in such future base rate cases.

12. **Allocation of CECA to Rate Schedules.** The CECA will be allocated to the Rate Schedules in each CECA tracker filing using the Modified 4CP Allocators Factors as set forth in the approved CECA Tariff in Cause No. 44909, noted as follows:

<u>Rate Schedule</u>	<u>Modified 4CP Allocation Percentage</u>
RS	40.4145%
B	0.1225%
SGS	1.7089%
DGS/MLA	26.1523%
OSS	2.0202%
LP	28.7431%
HLF	0.8385%

The foregoing allocation factors will be updated based on the results of a 4CP Demand study to be presented in a subdocket to Cause No. 43354-MCRA21. Upon Commission approval of the updated 4CP Allocation Factors, the revised factors will be applied to the CECA in the next annual CECA filing.

13. **Energy Charge.** The CECA will be recovered through the energy charge component of all Rate Schedules.

14. **Reconciliation.** The CECA will be reconciled annually as a part of each annual CECA filing, with any over- or under-recovery collection variances returned to or recovered from customers in the Company's subsequent CECA filings. In this manner, the

Levelized Rate for the Solar Project will not change during the agreed upon recovery period, but the variances due to actual customer usage will be reconciled in the CECA.

15. **Liquidated Damages under EPC Agreement.** To the extent First Solar Electric, LLC ("First Solar") pays Vectren South Liquidated Damages as a result of the Solar Project failing to achieve the Minimum Guaranteed Capacity or Guaranteed Capacity established in the Engineering, Procurement and Construction Agreement ("EPC Agreement"), such Liquidated Damages received by Vectren South will be used as an offset to revenue requirements and the Levelized Rate will be recalculated to reflect the reduced revenue requirement. A corresponding adjustment will be made to the annual Production Baseline for the impacted year(s) to match the recalculated Levelized Rate due to decreased Solar Project production.

IV. RECS AND CUSTOMER SPECIFIC CONTRACTS

16. **Renewable Energy Credits.** Any RECs obtained by Vectren South for energy produced by the Solar Project will be utilized by Vectren South in the best interest of its customers. The Settling Parties agree this could include retaining the REC or, after consultation with the OUCC and CAC, selling some amount of RECs to specific customers or to the REC market. The net proceeds resulting from the sale of RECs, will be used as an offset to revenue requirements and returned to customers through the CECA.

17. **Customer Specific Contracts.** In the event a specific customer elects to pay directly for energy produced by the Solar Project, Vectren South agrees to sell this energy and the corresponding RECs at a rate equal to the Levelized Rate, pursuant to a specific contract or rate approved by the Commission; provided, however, that each of the Settling Parties reserves the right to recommend a different rate for Commission approval. All proceeds from contracts for the sale of energy produced by the Solar Project will be used

as an offset to the Company's revenue requirements and returned to customers through the CECA.

IV. FUTURE IMPROVEMENTS TO THE SOLAR PROJECT

18. In the event an investment is made at a later date to either expand the Solar Project to increase production or add technological improvements (e.g., battery storage or other investments to extend the life of the Solar Project beyond that which is contemplated in this Settlement Agreement), such investments will be excluded from this Agreement and included within standard Vectren South rate base to be proposed for recovery in a future proceeding before the Commission.

V. REPORTING

19. **Construction Reporting.** Vectren South will provide quarterly reports documenting the status of the construction of the Solar Project, including actual costs incurred to date, projected costs through the end of construction of the Solar Project, and anticipated completion (in-service) date of the Solar Project. In addition, Vectren South will notify the Commission and the Settling Parties within sixty (60) days of the in-service date of the Solar Project.

20. **On-going Reporting.** In accordance with the Order in Cause No. 44909, Vectren South will include with its annual CECA filings, the following information relating to the Solar Project:

- a. generation output of the Solar Project (with monthly detail);
- b. the actual revenue requirement during the 12 months covered by the report (the "Reporting Period") based upon the Levelized Rate per kWh and the estimated Production for the 12 month period;
- c. the actual production of the Solar Project compared to the Baseline Production as defined in Paragraph 8, both over a three-year rolling period;

- d. the total RECs proceeds (in U.S. dollars), if any, associated with solar generation at the Solar Project; and
- e. the average annual billing impact on all customer classes

VI. SETTLEMENT AGREEMENT -- SCOPE AND APPROVAL

21. Neither the making of this Settlement Agreement nor any of its provisions shall constitute in any respect an admission by any Settling Party in this or any other litigation or proceeding. Neither the making of this Settlement Agreement, nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.

22. This Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission, or any tribunal of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Settling Parties may take with respect to any or all of the issues resolved herein in any future regulatory or other proceedings.

23. The Settling Parties' entry into this Settlement Agreement shall not be construed as a limitation on any position they may take or relief they may seek in other pending or future Commission proceedings not specifically addressed in this Settlement Agreement.

24. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby, subject to the agreement of the Settling Parties on the provisions contained herein.

25. The communications and discussions during the negotiations and conferences have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are privileged. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are privileged.

26. This Settlement Agreement is conditioned upon and subject to Commission acceptance and approval of its terms in their entirety, without any change or condition that is unacceptable to any Settling Party.

27. Vectren South and the OUCC shall, and the CAC may, offer supplemental testimony supporting the Commission's approval of this Settlement Agreement and will request that the Commission issue a Final Order incorporating the agreed proposed language of the Settling Parties and accepting and approving the same in accordance with its terms without any modification. Such supportive testimony will be agreed-upon by the Settling Parties and offered into evidence without objection by any Settling Party. The Settling Parties hereby waive cross-examination of each other's witnesses.

28. The Settling Parties will support this Settlement Agreement before the Commission and request that the Commission accept and approve the Settlement Agreement. This Settlement Agreement is a complete, interrelated package and is not severable, and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to any Settling Party. If the Commission does not approve the Settlement Agreement in its entirety, the Settlement Agreement shall be null and void and deemed withdrawn, upon notice in writing by any Settling Party within fifteen (15) business days after the date of the Final Order that any modifications made by the Commission are unacceptable to it. In the event the Settlement Agreement is withdrawn, the

Settling Parties will request that an Attorneys' Conference be convened to establish a procedural schedule for the continued litigation of this proceeding.

29. The Settling Parties will work together to prepare an agreed upon proposed order to be submitted in this Cause. The Settling Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any party to this Settlement Agreement.

30. The Settling Parties also will work cooperatively on news releases or other announcements to the public about this Settlement Agreement.

31. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Settlement Agreement in its entirety without changes or condition(s) unacceptable to any Settling Party (or related orders to the extent such orders are specifically and exclusively implementing the provisions hereof) and shall not oppose this Settlement Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

Accepted and Agreed on this 10th day of October, 2018

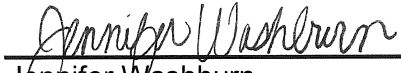
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SOUTHERN INDIANA GAS AND ELECTRIC
COMPANY D/B/A VECTREN ENERGY
DELIVERY OF INDIANA, INC.

A handwritten signature in cursive script, reading "Robert E. Heidorn". The signature is written in dark ink and is positioned above a horizontal line.

Robert Heidorn
P. Jason Stephenson
An Attorney for Southern Indiana Gas and
Electric Company d/b/a Vectren Energy
Delivery of Indiana, Inc.

CITIZENS ACTION COALITION OF INDIANA,
INC.



Jennifer Washburn
An Attorney for Citizens Action Coalition of
Indiana, Inc.

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Randall C. Helmen

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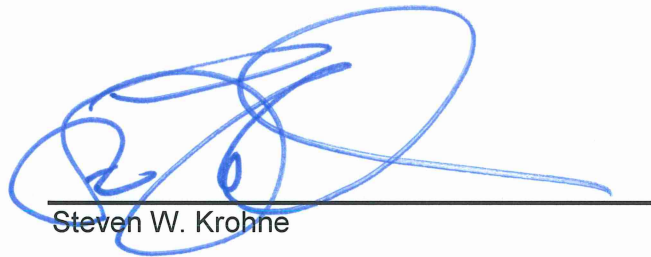
An Attorney for the Indiana Office of Utility Consumer Counselor

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the *Stipulation and Settlement Agreement among Vectren South, the Indiana Office of Utility Consumer Counselor and Citizens Action Coalition of Indiana, Inc.* was served via electronic mail transmission or by depositing a copy thereof in the United States mail, first class postage prepaid, addressed to:

Nikki G. Shoultz, #16509-41
Kristina Kern Wheeler, #20957-49A
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204
nshoultz@boselaw.com
kwheeler@boselaw.com

This 10th day of October 2018.



Steven W. Krohne